



# **Accelerating the Adoption of Electronic Medical Records**

For Discussion Purposes

September 2006

# EMR Benefits are Significant...

## EMR Benefits

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### Consumers:

- Improved care quality and health
- Medical record portability and remote access

### Providers/Physicians:

- Improved patient information
- Reduced administrative burden and costs
- Insight to support health improvement and disease prevention

### Payors:

- Easily identified metrics and improved outcomes
- Reduced cost of providing care

## Potential efficiency benefits from EMR adoption in the US (\$B)<sup>1</sup>

| Savings category     | Average annual savings |
|----------------------|------------------------|
| <b>Outpatient</b>    |                        |
| Transcription        | 0.9                    |
| Chart pulls          | 0.8                    |
| Lab test             | 1.1                    |
| Drug usage           | 6.2                    |
| Radiology            | 1.7                    |
| <b>Inpatient</b>     |                        |
| Nursing time         | 7.1                    |
| Lab test             | 1.6                    |
| Drug usage           | 2.0                    |
| Length-of-stay       | 19.3                   |
| Medical records      | 1.3                    |
| <b>Total savings</b> | <b>41.8</b>            |

(1) Assumes 90% adoption, average annual savings over 15 year period

Sources: *Health Affairs Journal*, Sept/Oct 2005; Medicare Expenditure Panel Survey, 2001

# And Many Groups Have Successfully Advocated for EMR Adoption...



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- Trend has been for large employers to push for change as payors
  - Government focus has been on developing standards

# Yet Many Barriers Still Exist

Lack of  
technological  
standards

Tight Medicare  
reimbursement  
policies

Implementation and  
maintenance  
costs...with lack of a  
clear payor

**As of 2005, only 9.3% of  
U.S. physicians have a  
complete EMR system<sup>1</sup> with  
growth estimated at 3-6%**

Physician  
readiness to  
adopting EMR

Few provider  
incentives for  
capital investment

Legal hurdles:  
liability, privacy  
and information  
sharing concerns

(1) 23.9% of physicians reported having some level of EMR (partial or full)

Sources: Institute for Health Policy, Massachusetts General Hospital/Harvard Medical School, September 2006; 2005 CDC survey; Burton, et al, *Milbank Quarterly* 2004; University of Victoria School of Health Information

# **EMR Need is Great Among Senior Citizens**

- **41 million Medicare beneficiaries**
  - **87% with 1+ chronic conditions**
  - **67% with 2+ chronic conditions**
- **The elderly account for 60% of U.S. Healthcare spending**
- **Medicare spending exceeds \$300 billion with 7% growth...significant**  
**Medicaid spending also supports seniors**
- **Many senior citizens use multiple medications...drug interaction risks are high**
- **Seniors often have multiple health care providers**
- **Family members, sometimes geographically remote, frequently assist with care**
- **Seniors often have difficulty accurately portraying their complex medical history to providers, particularly in emergency situations**

# CMS Incentives Could Take EMR Adoption to the Tipping Point

## One potential model

- (1) Medicare beneficiaries elect to have their health records hosted electronically
- (2) CMS incentives EMR setup at \$200/beneficiary with additional annual record maintenance supplement
- (3) Incentives provide the market impetus for EMR hosting entities to expand presence and reduce the cost of adoption for physicians

## Proposed stakeholders



**Microsoft**



Industry stakeholders work with CMS to develop standards



Provides coordination support, and clinical experience

- **Precedent exists for CMS to successfully incentivize electronic transition**
- **Secretary Leavitt has expressed an interest in developing incentives**
- **Standards will result as transition occurs**

# Next Steps

- Identify other potential Industry Stakeholders
- Meet to develop incentive framework, create business case and align government relations efforts
- Present model to CMS

# **Appendix: Erickson Overview**

# Erickson Overview and CMS<sup>(1)</sup>

## Erickson Overview

\$1B private developer, builder, manager of 18 communities

Serving 18k seniors, employing 10k, growing 20% per year

Established in 1983 with the vision to enable successful aging



## CMS Demonstration Program

Called Erickson Advantage, the only plan of its kind in the U.S.

Medicare Advantage health plan not bound by Medicare rules & regulations



## Erickson Advantage Results to date

Acute Hospital Days per 1,000 enrollees

- National Average 1,860 Days
- Erickson Average YTD 1100 Days

Short Stays – Acute Care hospital Days

- National Average 5.9 Days
- Erickson Average YTD 4.0 Days

Skilled Environment (Sub-Acute)

- Natl Avg Length of Stay is 25 Days
- Erickson Avg Length of Stay is 9 Days

Avg 30% savings to Medicare spend

## Erickson Health

Competitive advantage of living in an Erickson community

Full health/wellness support

45 onsite fulltime physicians: the largest geriatric practice in the U.S.

\$150M in 2005 revenues

# GE and Erickson

## Background

### EMR Adoption at Erickson

Rolled out GE Centricity in 2003 in 8 mos.

Now one of GE Healthcare's largest Centricity EMR users with 70 providers and 1,000 users

Today at 16,814 active medical records

Early Adopter Program for Centricity EMR 2005 and went live in October 2005

Enabled a Resident Health Portal

## Centricity



**Centricity® Practice  
Electronic Medical  
Records (EMR)**

## Outcomes

### ***Reduced hospitalization***

#### ***Rapid drug recalls***

Vioxx – within 15 minutes, Erickson had identified all residents on Vioxx and notified all of them by end of day

#### **Low usage of “dangerous” drugs**

Medications which should always be avoided by the elderly and those which are rarely appropriate for use

**Erickson rate: <0.5%**

**Avg 10 HMOs: 5.1% and 15.7%**

#### **Disease Prevention**

**High flu vacc. rate**

**Erickson: 92%**

In addition to industry-leading EMR usage, Erickson has also started the process of building Regional Health Information Networks (RHINs).

We aim to provide seniors with the best possible healthcare: to accomplish this, we need to get providers on board with electronic records.